

*Consolidated Annual
Performance & Evaluation Report
CDBG & HOME Programs
2005-2006*



*City of Asheville &
Asheville Regional
Housing Consortium*

September 30, 2006

**CITY OF ASHEVILLE
and
ASHEVILLE REGIONAL HOUSING CONSORTIUM
CONSOLIDATED ANNUAL PERFORMANCE AND
EVALUATION REPORT
FOR THE CDBG AND HOME PROGRAMS**

Year Ending June 30, 2006

**Submitted to the Citizens of Buncombe,
Henderson, Transylvania and Madison Counties
and the U.S. Department of Housing and Urban Development
September 30, 2006**

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ABBREVIATIONS USED IN THIS DOCUMENT

ABCCM	Asheville Buncombe Community Christian Ministry
ABCRC	Asheville-Buncombe Community Relations Council, Inc.
ACT	Assertive Community Treatment
ADDI	American Dream Downpayment Initiative
AHC	Affordable Housing Coalition of Asheville Buncombe County, Inc.
AMI	Area median income
CAPER	Consolidated Annual Performance and Evaluation Report (this report)
BG	Block Group (within census tract)
CBDO	Community-Based Development Organization (a special type of non-profit defined in CDBG program rules)
CCCS	Consumer Credit Counseling Services, Inc.
CDBG	Community Development Block Grant (program)
CHDO	Community Housing Development Organization (a special type of non-profit defined in HOME program rules)
CT	Census Tract
DPA	Down Payment Assistance
EMSDC	Eagle/Market Streets Development Corporation
FEMA	Federal Emergency Management Authority
FMR	Fair Market Rent
FTE	Full Time Equivalent (measure of job creation)
HAC	Housing Assistance Corporation
HACA	Housing Authority of the City of Asheville
HMIS	Homeless Management Information System
HOME	HOME Investment Partnerships Act (program)
HTF	Housing Trust Fund
HUD	U.S. Department of Housing and Urban Development
LBP	Lead-based paint
LIHTC	Low Income Housing Tax Credits
LI	Low-income (below 80% of AMI)
M/F	Multi-family (housing)
MHO	Mountain Housing Opportunities, Inc.
MMF	Mountain Microenterprise Fund, Inc.
MMLF	Mountain Microenterprise Loan Fund
MWBE	Minority and women owned business
N/C	New construction
NCHFA	North Carolina Housing Finance Agency
NCR	National Church Residences
NHS	Neighborhood Housing Services of Asheville, Inc.
S/F	Single family (housing)
The Consortium	The Asheville Regional Housing Consortium
WCCA	Western Carolina Community Action
WNCCHS	Western North Carolina Community Health Services, Inc.

CITY OF ASHEVILLE CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT

For Fiscal Year July 1, 2005 - June 30, 2006

Section I: Introduction

This report (the "CAPER") describes the activities and accomplishments of the City of Asheville and the Asheville Regional Housing Consortium in their housing and community development programs in fiscal year 2006. It focuses on how the City and the Consortium used federal Community Development Block Grant (CDBG) and HOME Partnership Act (HOME) funds, but it also mentions other closely related activities.

This is the first year of reporting on the goals and objectives set out in the City's **Consolidated Strategic Housing and Community Development Plan for 2005-2010**.

The City of Asheville has been a **CDBG** entitlement community since 1974. We receive an annual grant from the U.S. Department of Housing and Urban Development (HUD) to be used within the City. CDBG funds can be used with great flexibility to provide "decent housing and a suitable living environment and expanding economic opportunities principally for persons of low and moderate income". The amount of funds available for this vital program has slowly decreased in recent years.



Residents help design a bus shelter

The **HOME** program, also funded through HUD, provides a block grant specifically for affordable housing. The City of Asheville joined with Buncombe, Hendersonville,



Madison, and Transylvania counties to form a consortium large enough to qualify for HOME funding. The HOME sections of this report therefore cover a wider geographic area than the CDBG sections. The City of Asheville is responsible for program administration, with advice from a Board on which all Consortium member governments are represented. The amount of HOME funds available to the Consortium increased steadily from 1994 to 2004, but was reduced in 2005.

This report starts with brief overviews of CDBG and HOME expenditures and accomplishments (Section II) and the other funds they leverage (Section III). Section IV describes how activities address the objectives in our Strategic Plan. A summary of citizen comments (Section V) is followed by a self-evaluation of progress, barriers to progress, and changes that are affecting our programs (Section VI). HUD-required certifications are in Section VII. Sections VIII and IX contain details of each activity receiving CDBG or HOME funds. Maps showing the location of these activities are in Section X. Section XI contains financial summaries and statistical information on program beneficiaries.

Section II: Overview of Achievements

The City of Asheville and Asheville Regional Housing Consortium supported 66 separate projects with CDBG and HOME funds during the reporting year (2005-06). Detailed descriptions of all program activities can be found in Section XIII (CDBG) and Section IX (HOME). The key accomplishments of these projects were as follows:

- 204 units of affordable housing were assisted, comprising:
 - 46 new homes built and sold to first-time homebuyers
 - 17 other homebuyers provided with downpayment assistance
 - 37 new rental units constructed
 - 43 owner-occupied units rehabilitated or repaired
 - 5 rental units rehabilitated
 - 56 people received short-term rent assistance
- 4430 people benefited from human services programs:
 - 1601 people received financial, housing and family support services
 - 2708 homeless people received shelter, meals, or other services
 - 57 young people enjoyed the Hillcrest enrichment program
 - 64 people received a full investigation of their fair housing complaints
- 61 micro-businesses were started or expanded, creating 14 jobs
- 1560 linear feet of water lines were upgraded in low-income areas
- 91 bus route signs were installed in low-income areas

An additional 255 units of affordable housing were assisted by the City and its partners using other sources of funding. Details are given in Section IV.

Programs must be targeted primarily to households below 80% of area median income. This year, excluding administrative expenses, 100% of CDBG and HOME funds directly benefited households below 80% AMI.

Receipts and expenditures of CDBG and HOME funds are shown in Table 1. In addition, the City expended \$387,773 in CDBG Section 108 Guaranteed Loan Funds on rental

housing rehabilitation at the Woodfin Apartments project. This exhausts the original \$1,500,000 guaranteed loan provided by HUD for rental housing rehabilitation in 1999.

Table 1 - Receipts, Expenditures and Leveraging of CDBG and HOME funds

Income:	CDBG	HOME/ADDI	Other Funds
Unexpended Balance at July 1, 2005	1,256,828	1,262,365	n/a
2005 Entitlement Grant	1,465,512	1,484,558	n/a
Program Income and Other Repayments	376,099	56,988	n/a
Total funds available	3,098,439	2,803,911	n/a
Expenditures:			
Housing	602,391	1,460,635	15,986,848
Economic Development	199,077	-	537,195
Public Services & Fair Housing	295,000	-	1,688,989
N'hood Improvements & Infrastructure	110,399	-	292,630
Debt Service	0	-	
Planning & Administration	299,523	216,210	8,235
Total Expended	1,506,390	1,676,845	18,513,897
Unexpended Balance at June 30, 2006	1,592,049	1,127,066	n/a

Section III: Leveraging Other Funds

An important feature of our programs is the amount of funding leveraged by use of CDBG and HOME dollars, in other words, the resources that are used along with CDBG and HOME dollars to address consolidated plan objectives.

The last column of Table 1 shows how much was spent from other sources on CDBG- and HOME-assisted activities. It shows that **for every CDBG or HOME dollar spent on these activities, at least \$5.81 was leveraged from other sources in FY 2006.**

The leveraged funds can be broken down as follows:

<u>Source</u>	<u>Amount</u>
Other Federal Funds	\$1,259,680
City Housing Trust Fund	\$225,000
Other Non-Federal Funds	\$17,029,217

Section IV: How Activities Addressed Strategic Plan Objectives

Affordable Housing

The City of Asheville and its partners used CDBG and HOME funds to produce a total of 204 affordable housing units during the reporting year. "Production" includes units of rehabilitation, down-payment assistance, and rent assistance, as well as new construction. Table 2 below compares this production and other outcome measures with the targets set out in our new Five-year Consolidated Strategic Plan for 2005-2010. Table 3 provides a breakdown of beneficiaries by location and tenure type.

Table 2 - Affordable Housing Targets and Outcomes

Production Type/Performance measures*	Annual Targets	FY 2006 Achievements
New construction (or rehab) for homeownership		
Units	40	46
Low Income minority homebuyers	10	10
New construction for rental		
Units	60	37**
Unit-years of ensured affordability:	900	1095
Rehabilitation/Repair of owner-occupied units		
Units	40	43
Unit-years of extended housing life	275	125
Units with LBP passing clearance test after rehab	5	2
Rehabilitation of rental units		
Units	15	5
Unit-years of extended affordability	225	95
Units with LBP passing clearance test after rehab	5	4
Direct homeownership (Downpayment) assistance only		
Units	10	17
Minority homebuyers	4	2
Rent or Relocation Assistance		
Units	35	56
Very low-income (<50% AML) renters assisted	30	48
Total units	200	204

* These are our local performance targets; HUD performance measures are reported on the project detail pages in Sections VIII & IX

** New rental units include as one unit a group home at First Step Farm which houses 10 unrelated individuals.

Table 3

Beneficiaries of CDBG and HOME Assisted Housing Activities, by Location, Tenure Type and Income

Category	Buncombe County			Henderson County			Madison County		Transylvania County		Totals
	Rehab	New Const	DPA & TBRA	Rehab	New Const	DPA	DPA	New Const	DPA	New Const	
Renters											
Elderly											
0 - 30%	6		3								9
31 - 50%	8				1						9
51 - 80%	1		2								3
Total Elderly	15		5		1						21
Non-Elderly											
0 - 30%	2		26								28
31 - 50%	4	4	19		18						45
51 - 80%	2	4	6								12
Total Non-Elderly	8	8	51		18						85
Total Renters	23	8	56		19						106
Owners											
Elderly											
0 - 30%	8										8
31 - 50%	16										16
Total Elderly	24										24
Non-Elderly											
0 - 30%	9	1			1	2			1		14
31 - 50%	10	7	1		12	1					31
51 - 80%		24	8		3	3	1				39
Total Non-Elderly	19	32	9		16	6	1	0	1		84
Total Owners	43	32	9		16	6	1	0	1		108
Grand Totals	66	40	65		35	6	1	0	1		214

Note: This table includes 22 units completed last year but occupied this year: 197 E. Oakview St (1) , 84 Boyd St (1), 32 Lamb Ave(1), 36 Lamb Ave(1), 280 Merrimon (2) and Battery Park Apartments(16). It excludes 12 units completed but not yet occupied: Highland View Apartments (9); 16 Ramona Dr(1); 36 Ramona Dr(1); 38 Ramona Dr(1).

In addition to the units listed on the previous two pages, we and our partners produced **at least 255 other affordable units** during the year that were not directly assisted with local HOME or CDBG funds:

- 11 units completed by for-profit developers in Asheville using \$274,000 in City Housing Trust Fund loans.
- 14 other new homes built by private developers received a total of \$ 21,907 in City of Asheville fee rebates (another \$30,173 in fee rebates went to homes assisted with CDBG or HOME)
- 146 emergency repairs in Asheville and Buncombe County, carried out by Mountain Housing Opportunities with non-CDBG funds
- 21 units assisted through Buncombe County's Affordable Housing Services Program: 10 fee rebates; 3 loans for new construction, 1 repair loan, and 7 DPA loans.
- 23 families made homeless by Hurricanes Katrina and Rita were provided with rent assistance under a City-administered Interim Housing program using \$49,050 in funds from FEMA.
- 4 homes in Buncombe County, damaged by flooding from tropical storms Frances and Ivan in 2004, were repaired or replaced through the state's Crisis Housing Assistance Fund.
- 34 homes were repaired by Consortium member governments using state CDBG funds: 18 in Transylvania County, 15 in Buncombe County, and 1 in Madison County.
- 2 units completed by Transylvania County Habitat for Humanity



A new home assisted with a fee rebate

Housing for People with Special Needs

The Strategic Plan's first priority in housing is "to help those with the greatest needs - the homeless, people with very low incomes, the frail elderly, and people with disabilities". Out of the 214 beneficiaries listed in Table 6, on the following page, 59 (28%) have incomes below 30% of area median. CDBG-funded housing-related services, including homeless programs, and rental and financial crisis counseling helped another 3330 people with "worst case" needs (63% of the total).

All our housing programs can, and most do, serve people with disabilities and we have emphasized both **accessibility** and **"visitability"** in our evaluation of new housing projects. Retrofitting existing homes to make them accessible to disabled homeowners is a routine part of the rehabilitation programs operated throughout the consortium.

During the reporting year, we helped at least 32 non-elderly disabled people and 4 people with HIV/AIDS to improve their housing. These categories are likely to be undercounts because we do not require beneficiaries to disclose disabilities. Additionally, 10 recovering substance abusers were housed in the new group home built by First Step Farm.

Public Housing

The Strategic Plan does not set specific targets in the Public Housing area. The City and the Regional Housing Consortium rather seek to assist the eight housing authorities in the Consortium area in achieving the objectives in their five-year plans. The following tables provide an update on the public housing units and vouchers administered by each authority

Table 4 - Update on Public Housing units - as at June 2006

	Units (change)	Vacant units**	Waiting List	HUD capital funding in 2005-06	HUD operating funding
Asheville	1540 (0)	208	521	2,516,015	4,649,525
Hendersonville	382 (-1)	19	22	634,852	736,378
Brevard	163	8	45	232,735	378,623
Mars Hill	47	0	23	61,241	65,600
Marshall	50 (+5)	7	30	67,390	101,445
Hot Springs	60	0	3	No data	No data
Madison Co.	40	0	10	61,353	108,121

*** Vacancies include units off-line for modernization or repair, and units assigned to applicants but not yet occupied, as well as units available for leasing.*

Table 5 - Update on Section 8 Housing Choice Vouchers

	# of Vouchers (change)	Waiting List	% returned unused **	HUD funding in 2005-06	Section 8 H'ownership***
Asheville	1355 (0)	1307	44%	6,416,002	7
Madison Co.	191	20	75%	827,227	n/a
Henderson & Transylvania counties*	646 (0)	283	54%	2,639,448	7

** Western Carolina Community Action administers vouchers for Henderson and Transylvania counties*

*** Approximate percentage of vouchers issued during the year to people on the waiting list whose vouchers then expired before they could find a suitable unit to rent.*

****Number of voucher-holders purchasing a home during the year and utilizing their vouchers as a source of mortgage re-payment (Madison County does not operate this program) .*

The City of Asheville works closely with the Housing Authority of the City of Asheville (HACA), which serves Asheville and Buncombe County, particularly in the areas of youth development, crime prevention, and the purchase and renovation of affordable

rental housing for operation by HACA separately from its HUD-subsidized public housing inventory.

During the reporting year the City partnered with the Housing Authority in the following projects:

1. The City continued to use CDBG funds to support HACA's **Hillcrest Youth Enrichment** program, providing educational, recreational and cultural programs for young people living in public housing.
2. Renovations are nearly complete on the Woodfin Apartments, owned by HACA but not part of its public housing stock. This important project will provide 18 units of housing for homeless people, including those with HIV/AIDS, and has been heavily supported by City CDBG and HOME funding (see Section IX).
3. The City, HACA, other non-profit agencies, and residents initiated a **Weed & Seed** program for an area known as West Riverside. This includes Pisgah View Apartments, HACA's largest and, by some measures, most troubled public housing development. During the year, the group formulated its goals, objectives, and strategies, prepared and submitted a successful application to the U.S. Department of Justice for official recognition, and prepared a major grant application.

Homelessness

The five-year Strategic Plan incorporates both the traditional Continuum of Care approach to identifying the priority needs of homeless people, and the 10-Year Plan to End Homelessness which was adopted by both the City of Asheville and Buncombe County in January 2005. Both approaches focus on the need for more permanent supportive housing.

The **primary milestones** of the plan are:

In 2005-2006: Provide Housing First accommodation to 30 chronic homeless individuals

Status: 12 units have been created since June 2005 by expanding WNCCHS Shelter Plus Care program. 18 units in Woodfin Apartments and 15 in Griffin Apartments will be ready for move-in by September, 2006, for a total of 45 units.

In addition to developing the Housing First component, significant progress has been made with more conventional programs:

- Transitional housing for men recovering from substance abuse has been expanded by completion of the new **Courtland Avenue Group** home in Asheville with 22 beds (replacing the 16-bed Flynn Home) and a new 10-bed group home at **First Step Farm** in Buncombe County, replacing a substandard facility;

- 9 homeless people were placed in permanent housing from emergency or transitional programs operated by **Hospitality House**;
- 116 clients of the A-Hope day center were assisted in obtaining permanent housing (some of these may have moved into Shelter Plus care units).

Detailed reports on these projects are in Sections VIII and IX.

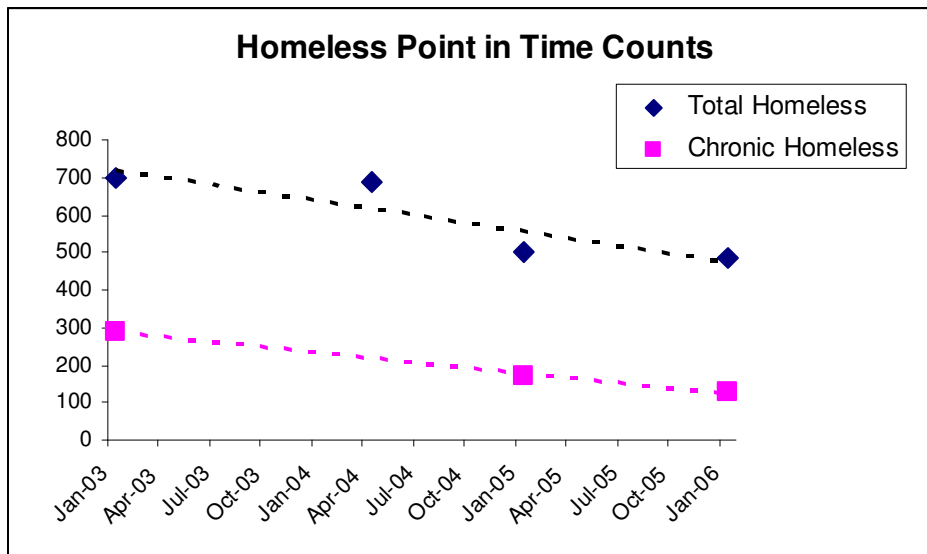
By 2008: Reduce chronic homelessness by 50% (no more than 150).

This goal has already been met. The number of chronically homeless measured in the most recent point-in-time counts was:

January 2005; 169 (36% of all homeless).

January 2006: 125 (26% of all homeless)

The reduction is real and significant and is largely attributable to improved economic conditions and to increased coordination and targeting of services.



By 2015: End Chronic Homelessness

We are currently on target to achieve this goal.

Principal Strategies to implement the 10-year plan are:

Designate lead entity to coordinate implementation. The Affordable Housing Coalition has been designated and has hired a 10-Year Plan Coordinator to foster and coordinate community-wide efforts. An Advisory Group of stakeholders is being set up. AHC has partnered with Mars Hill College for research and evaluation services.

Implement Homeless Information Management System (HMIS). HMIS will provide improved data on homelessness, and participation is mandated for agencies receiving federal funds. The system went "live" statewide on May 11, 2006, with six local

agencies participating (Hospitality House, ABCCM, The Salvation Army, WNCCHS, New Vistas, and Life on Life's Terms). The cost of the software and training is a major barrier to other agencies joining voluntarily.

Develop a plan to add 70 units of permanent supportive housing each year. Action steps for additional housing units will be developed by a Housing work group to be facilitated by AHC. Based on recent data, 70 units/year may be a considerable overestimate of need. Current projects in the pipeline include 2 units to be developed by Life on Life's Terms using 2005 Supportive Housing Grant funds from HUD.

Expand to two Assertive Community Treatment (ACT) Teams. Changes in state mental health funding and protocols have adversely impacted this strategy (see below). Pathways to End Homelessness, a partnership between Mountain Housing Opportunities and Hospitality House, has provided screening and initial support to homeless individuals who are candidates for permanent housing at the Woodfin and Griffin Apartments.

Improve efforts to prevent homelessness. Advisory Group efforts will build on the existing BEACON community group to evaluate current prevention efforts. Specific actions effective in increasing support to low-income families will be identified. Salvation Army, Western Carolina Rescue Ministries, and ABCCM are currently taking the lead in prevention strategies.

Aggressively pursue all available funding. Multiple agencies are currently working on applying for 2006 Supportive Housing Funds. Other federal funding opportunities seem, at present, to be targeted mainly towards large cities.

Issues and Barriers to addressing Homelessness

Mental Health Services: Mental health and substance abuse treatment are essential to helping formerly homeless individuals maintain their housing. While the 10-Year Plan set a goal of expanding to two ACT Teams (with specialties in substance abuse), recent state mental health reforms have had an opposite impact. Mental health and substance abuse services have become shorter in duration and increasingly difficult to access because of stricter criteria and long waiting lists. If the mental health system continues to struggle with resources and systems management issues, the supportive services needed to make the Housing First/Housing Plus programs work in this community are at risk of failure.

Funding:

The City has directed increasing amounts of its federal CDBG and HOME funds towards ending homelessness. Although the amount of these federal grants has declined, the amount committed to services that address homelessness or prevention has increased by 16% from 2004 (see table 6 below).

Additionally, a City of Asheville general fund grant of \$20,000 a year has helped maintain weekend services at the A-hope Center.

Table 6 - CDBG- and HOME-Funded Services Addressing Homelessness

Program	Helps the Homeless	Prevents Homelessness	FY2004 Funding	FY2005 Funding
Hospitality House	Yes		\$95,000	\$95,000
MHO - Housing services	Yes		\$70,000	\$85,000
AHC - 10-year Plan Coordination	Yes	Yes	-	\$15,000
PLS - Resource Development	Yes	Yes	\$35,000	\$40,000
AHC - Rental counseling	Yes	Yes	\$60,000	\$60,000
AHC - Rent assistance	Yes	Yes	\$50,000	\$50,000
Emma Family Outreach		Yes	-	\$15,000
CCCS - Credit Counseling		Yes	\$25,000	\$25,000
Emergency Relocation		Yes	-	\$2,000
Total			\$335,000	\$387,000

Direct federal funding for housing and services for the homeless by the federal government is declining. The primary funding source is the HUD Supportive Housing Grant, but this declined by almost \$322,000 (31%) between 2004 and 2005 and is now almost entirely used up in maintaining existing programs.

Fair Housing

In 1987 the City of Asheville and Buncombe County adopted a fair housing ordinance substantially equivalent to federal law. This ordinance set up the Asheville Buncombe Fair Housing Commission and empowered it to adjudicate fair housing complaints. The Asheville-Buncombe Community Relations Council (ABCRC) acts as the executive arm of the Fair Housing Commission and is responsible for administering the fair housing program in the City and County and investigating fair housing complaints. ABCRC was the first local agency in the nation to be certified by HUD to investigate housing discrimination under federal law. It receives funding from City and County General Funds, from City CDBG funds, and from HUD Fair Housing Assistance funds (via the City).

During the reporting period, ABCRC investigated and closed 14 cases dual-filed with HUD and 50 cases that did not meet HUD filing criteria. ABCRC also provided education and information to at least 743 people, and special advisory services were provided for survivors of the Katrina disaster.

A new **Analysis of Impediments to Fair Housing Choice** was undertaken during the year. In summary, the principal impediments found were:

1. The lack of affordable housing (this was identified as the single most serious impediment to fair housing choice in our area)
2. The lack of accessible housing for people with disabilities

3. The rise of predatory lending targeted to minorities
4. The lack of resources for immigrants and exploitation of their fear, legal status, and language barriers
5. Zoning regulations that severely restrict the location of multi-family housing or special needs housing
6. The absence of affordable transportation
7. The lack of Minimum Housing Code enforcement throughout the Consortium
8. Section 8 voucher holders' inability to utilize their vouchers

A fair Housing Plan, based on these impediments and strategies designed to address them is in preparation.

Economic Development

The Strategic Plan's priorities for economic development in 2005-2010 are:

1. To develop living wage employment and accessible job training and placement for such employment; and
2. To support the start-up and growth of small businesses.

Specific targets are:

Table 7 - Economic Development Outcomes

Annual Outputs		Performance Measures	Annual Outcomes	
Target	2005-06		Target	2005-06
160 persons assisted in micro-enterprises;	109	# of participants completing training program	140	72
		# of small business start ups & expansions	100	61
		# of FTE* jobs created in these business (not including the owner)	100	14
		Businesses previously assisted remaining operational after 12 months	40%	74%
20 persons assisted with job training	0	# obtaining sustaining employment	10	0

* Full-time equivalent

Two CDBG-funded programs contributed towards these targets during the program year: **Mountain Microenterprise Fund** provided business training and technical

assistance to entrepreneurs; and the **Mountain Microenterprise Loan Fund** provided start-up or expansion capital in the form of CDBG loans. All the beneficiaries were low-income and 24% were minorities.

At present, CDBG funds are not being used to support job training; no applications for funding such a program were received in 2005.

The City has continued to work towards implementation of the **South Pack Square revitalization** effort. The original plan to restore five deteriorated buildings on Eagle and South Market Streets and construct a new infill building on S. Market Street was the subject of a lawsuit brought by a neighboring property owner in November, 2003. The delay resulted in unachievable cost increases, bringing the development to a halt. Since then the City and Eagle Market Street Development Corporation have continued to facilitate community dialog, while working to find a new developer for the area.

The City's Office of Economic Development (OED) was restructured in January, 2006, to enhance access to services for citizens. The Minority Business Development office has been integrated into the OED, with an increased focus on small business and entrepreneurship. The OED provides free office space for a regional field office of the US Small Business Administration (SBA), and has a close working relationship with SBA in mentoring, networking and technical assistance to small and minority businesses.

Additional activities undertaken by the City in the Economic Development field included:

- A review of all City-owned property in the downtown area, in order to identify suitable sites for private development, including workforce housing. A Request for Qualifications has been issued to find a developer for the first four city-owned parcels and staff is currently reviewing responses. It is expected that negotiations will move forward this year on at least one site.
- Creation of a standing Sustainable Economic Development Advisory Committee to review and recommend policy to City Council. A key focus area of the committee is small business, minority business and entrepreneurship development.
- Continued support for the Small Business Incubator and the Blue Ridge Food Ventures Commercial Food Kitchen located on A-B Tech's Enka Campus in the State Development Zone. Six businesses have been have been screened and accepted into the Incubator to date.
- Participating in the Regional Council of Government's successful efforts to secure EPA funds for evaluating and mitigating Brownfields sites. Four sites in the City are in the program: The Old Cotton Mill, Asheville Ice Plant, Asheville Waste Paper, and Asheville Mica.
- Numerous educational and business support training programs focused on small and minority-owned businesses, including: 'How to do Business with Local Government' in collaboration with Buncombe County; "Women in Business" Conference with Mountain Microenterprise Fund; "Entrepreneurs

Night” with MMF’s Asheville Business Alliance; and a contractors’ training in conjunction with Mission Hospitals.

- Continued assistance to minority businesses seeking certification with the State’s office of Historically Underutilized Business (HUB program).

Asheville City Council worked closely with County and State officials to win a major expansion of 300 new advanced manufacturing jobs and \$20 million in new capital investment at Volvo Construction Equipment in Asheville. Volvo will manufacture a new line of excavators at its Asheville facility. The project will also retain 200 existing jobs. Council is currently developing a performance agreement with Volvo for an Economic Initiative Grant of \$600,000 over a period of 6 years. The agreement will include goals for minority business participation and small business and local purchasing.

Other Non-Housing Community Development

The Strategic Plan identified the following priority areas for supporting non-housing community development in Asheville:

1. Services that directly support affordable housing, public transportation, youth services, and employment opportunities;
2. Infrastructure and neighborhood improvements to support affordable housing, multi-modal transportation and economic development;
3. Services to help LI people improve financial well-being, avoid predatory lending, and improve credit for homeownership and business ownership;
4. Implementation of the 10-Year Plan to End Homelessness.

During the reporting year, the following programs addressed these goals:

- The Affordable Housing Coalition’s homebuyer education and renter education/counseling programs (priority #1)
- Consumer Credit Counseling Services financial counseling program(priority #3)
- Emma Family Resource Center’s family outreach program (priorities #1 & 3)
- The Asheville Housing Authority’s Hillcrest enrichment program (priority #1)
- Homeless programs listed in Table 6 (priority #4)
- Replacement of substandard waterlines in West Asheville (priority #2)
- New bus shelters and signage for Asheville City Transit (priority #2)
- A new park on Owens Bell Lane in the West End/Clingman Avenue area and planned improvements to Clingman Avenue (priority #2).

Table 8 - Non-Housing Community Development Achievements

Program Type	Annual Output		Outcome	Performance Measures	Annual Outcome	
	Target	Actual			Target	Actual
Water and Sewer improvements	1000 lf	1560 lf water line	Improved infrastructure in LI areas	# of households with access to improved infrastructure	20	19
Street and Sidewalk Improvements	400 lf	-	Availability of water/sewer to vacant lots	# of vacant lots with improved water/sewer	8	8
Transportation Accessibility	2 bus shelters	-	Improved infrastructure in LI areas	# of LI residents with access to bus shelters/signage	8900	3200
	50 route signs	91 signs	Increased transit accessibility	Increase in public transit ridership	2000 (0.2%)	Measure next year
Financial, Housing and Family Support Services	1200 persons	1601	Prevent homelessness and stabilize households	# of households avoiding eviction or foreclosure, or obtaining safe affordable housing**	260	86
			Improve financial health	# persons improved credit	325	451
			LI and minority households become homeowner	# of LI homebuyers**	40	19
				Of these, # African American & Latino**	10	8
Homeless Services	1500 homeless persons assisted	2708	Increase income by obtaining benefits	# who obtain at least one form of entitlement benefit	150	216
			Engage in mental health treatment /counseling	# persons attend at least one mental health treatment or counseling session	130	130
			Move to permanent housing	Persons obtaining permanent housing	50	116
Youth Services	80 youth participate	57	Improved academic performance	# students improve their grades	40	8
			Parent involvement increases	# parents attending meetings, trainings or volunteer in program	10	17

LI = low income

** figures exclude beneficiaries of housing production counted in Table 6 and the affordable housing section.

Other HUD-Defined Priorities

Removing Barriers to Affordable Housing

Funding: The City appropriated \$600,000 in July 2005 for its Housing Trust Fund (HTF). With loan repayments, \$950,000 was allocated to three projects which will produce a record 280 units when complete. Since the creation of the HTF in 2000, nearly \$3.5 million has been awarded to assist in developing 820 affordable rental and homeownership units.

Buncombe County created a local Housing Trust Fund In 2004, capitalized with an appropriation of \$300,000 and continued in 2005 with another \$300,000. It supports

- Low interest loans for new construction of single-family and multi-family homes that are priced affordably (\$135,000 or less);
- Downpayment assistance programs;
- Reduced permit fees for construction of affordable homes.

Fees: The fee rebate scheme operated by the City of Asheville provided a total of \$52,080 in rebates on building permits and water and sewer fees for 16 new affordable single-family homes and 50 new rental units. Buncombe County continued its waiver of landfill fees for waste materials generated by affordable housing projects and used its housing trust fund to reduce permit fees.

Other Barriers: The City of Asheville has continued to review and revise its zoning ordinances and procedures to remove barriers to affordable housing. Over the past year the City has developed a consolidated technical review process to improve overall project development review times, potentially decreasing development costs. An ordinance amendment to add “Townhouses” as a housing option to the Urban Residential zoning district is under active consideration.

A complete response to HUD’s Questionnaire on removing regulatory barriers to affordable housing is in our 2005-2010 Consolidated Strategic Housing and Community Development Plan.

Evaluating and Removing Lead-Based Paint Hazards

Lead-based paint (LBP) can be found in homes built before 1978, when it was banned for residential use, and it is very common in housing built before 1950. The 2005-10 Strategic Plan set targets to reduce lead-based paint hazards in 5 owner-occupied and 5 rental units each year.

During the program year, LBP hazard reduction and successful clearance testing was required and completed in 2 owner-occupied and 4 rental units.

City staff continues to monitor and provide technical assistance to partner agencies to improve compliance with HUD LBP hazard reduction. The City also provided staff to

assist teaching the Lead Safe Work Practices course offered through Asheville-Buncombe Technical College and facilitated by the Lead Poisoning Prevention Program of UNC-Asheville. 17 workers were trained in lead safe work practices during the program year.

Actions to Reduce the Number of Persons Living in Poverty

Most of the activities conducted by the CDBG and HOME programs benefit low and very low-income persons and help to raise families out of poverty. Generally speaking, households below 30% of median income are also below poverty level, but the correlation is not exact. Statistics based on the Census definition of poverty cannot be gathered without imposing heavy additional reporting burdens on our subrecipient agencies.

Tables 14 and 15 (in Section XI) show that the programs with the greatest impact for people in poverty were:

- ABCRC - fair housing education & investigation
- AHC - rental education and TBRA programs
- Children First - Emma Family Outreach
- HACA - Hillcrest Enrichment program
- Hospitality House - services for the homeless
- MHO - Emergency Home Repair program
- National Church Residences - Battery Park Apartments
- Mountain Microenterprise Fund -Foundations business training

Overall, 62% of CDBG and 26% of HOME beneficiaries were from households with income less than 30% of the area median, i.e. most likely living in poverty.

Developing Institutional Structure and Enhancing Inter-Agency Coordination

Asheville is fortunate in the number and strengths of its non-profit agencies and housing developers. A variety of formal and informal linkages exist between them and with government and the private sector.

- The **Asheville Regional Housing Consortium Board** provides an outstanding example of coordination in its oversight of the HOME program and advice to Asheville City Council on the allocation of funds. Encompassing 4 counties and 10 municipalities, it has worked cooperatively since 1993 to bring the benefits of the program to all areas of the 4-county Consortium.
- The **Affordable Housing Coalition**, acts as an advocate for other agencies in the housing field, as well as operating its own program of housing-related services. During the reporting year it took on the additional role of coordinating implementation of the 10-Year Plan to End Homelessness
- The **Asheville-Buncombe Coalition for the Homeless** is an unincorporated forum in which the major homeless service providers are represented, mainly

by staff with day-to-day contact with homeless people. It has been very effective in sharing information and in prioritizing needs for HUD Continuum of Care grants.

- **Pisgah Legal Services** plays an important role in providing research, planning, and grant-writing services to local non-profit agencies through its CDBG grant-including the annual Continuum of Care application.
- **Mountain Housing Opportunities** is successfully coordinating infill development, neighborhood and infrastructure improvements in the West End/Clingman Avenue Neighborhood in cooperation with residents, City departments, the Regional Water Authority, the Metropolitan Sewerage District, and other agencies.
- **Neighborhood Housing Services** is an effective non-profit developer of affordable housing and works on community building in the Shiloh and Burton Street Neighborhoods. It has also been an important contributor to the creation of the Weed and Seed Program in West Asheville.
- **Children First's** Emma Family Resource Center has been a catalyst for empowerment and change in the Emma community. When the residents of Monticello Mobile Home Park were threatened by eviction for commercial redevelopment, Children First coordinated a team of agencies who helped the residents assert their rights and oppose the development.

Monitoring and Technical Assistance

Most of the CDBG and HOME funds administered by the City of Asheville are disbursed through grants to other governments or non-profit agencies. A scope of work, budget, and standard program requirements are set out in each grant agreement. Each subrecipient, CBDO or CHDO must send in monthly or quarterly written reports, and support its reimbursement requests with invoices, payroll information or other specific back-up. Funds are never disbursed in advance of costs being incurred and documented.

The City maintains a Monitoring Plan that assesses the risks of each project and conducts a planned cycle of monitoring visits during the year to insure that projects are being carried out in accordance with the grant agreement, and in compliance with the HUD regulations. Desk reviews and on-site visits listed below include a detailed review of program and client recordkeeping either submitted by the agency or reviewed directly at the agency's own offices. Other site visits are limited to observation of the program and technical assistance on specific issues. Not listed are the frequent telephone calls, e-mail exchanges, and technical assistance meetings in City Hall, that take place as projects are implemented.

All subrecipients, CBDO's, and CHDO's are required to attend at least one formal training session each year, conducted by City staff. During the reporting year, staff provided a start-up training session on July 12, 2006.

Table 9 - Monitoring of agencies receiving CDBG & HOME funding

CDBG - Desk & On-Site Reviews	CDBG - Site Visit/Technical Assistance
Children First - Emma Family Resource Center - Targeted monitor visit	Asheville Area Habitat for Humanity - Site visit Enka
Consumer Credit Counseling Services - Full monitor visit	Asheville Area Habitat for Humanity - T/A
MHO Emergency Repair - Full monitor visit	Asheville Housing Authority (HACA) - Woodfin Apartments -Site visits
Pisgah Legal Services - Full monitor visit	EMSDC - Redevelopment - Relocation T/A
NHS - HUD monitoring visit	MHO - Clingman Infrastructure - Site visits
MHO - HUD monitoring visit	MHO - Griffin Apartments - Site visits
	Mountain Microenterprise Loan Fund - T/A
<u>HOME - Desk & On-Site Reviews</u>	<u>HOME - Site Visit/Technical Assistance</u>
MHO North Point Commons Apartments - initial occupancy review	Housing Assistance Corporation - Highland View Apartments, Hillside Commons Apartments
Asheville Housing Authority - McCormick Heights Apartments	MHO - Prospect Terrace income determination procedures
MHO - Compton Place Apartments, Wind Ridge Apartments, River Glen Apartments	Henderson County Habitat for Humanity - Shuey Knolls Subdivision
Volunteers of America of the Carolinas - LIFE House Apartments	W. Carolina Community Action - English Hills
	Asheville Area Habitat for Humanity - Enka Subdivision
	WNC Housing - Independence Cottages, Phase II

Rental Housing Inspections (HOME Program only)

HUD regulations require annual on-site inspections for HOME-assisted rental housing developments consisting of 26 or more units, inspections every 2 years for developments of 5-25 units, and every three years for developments of 1-4 units. Inspections include compliance with property standards, rent limits, and tenant income limits.

During the reporting period, a desktop rental housing compliance review was carried out for each of the rental developments listed below. These reviews analyzed the projects' rent roll to determine HOME program rent compliance and tenants' income eligibility. In units occupied by over-income tenants, rents were restricted by the Low-Income Housing Tax Credit program. The following table lists all the Consortium's HOME-assisted rental projects subject to inspection.

Table 10 - Inspections of HOME assisted Rental Housing

Development	Units	Last Inspected	% Units < 80% AMI	Next Rent Review
Battery Park Apartments, Asheville	121	2005	100	6/07
Mountain Springs Apts, Asheville	44	9/98	100	6/07
Excelsior Apts, Brevard	20	5/06	100	6/08
River Glen Apts, Arden	38	6/06	92	6/07
Overlook Apts, Asheville	48	9/98	98	6/07
Northpoint Commons Phase I	39	11/05	97	6/07
Laurel Bridge Apts, Asheville	10	6/03	100	6/08
Laurel Wood Apts, Asheville	50		100	6/07
Wind Ridge, Asheville	40	5/06	95	6/07
Dunbar Place Apts, Asheville	74	6/03	100	6/07
LIFE House Apts., Asheville	20	5/06	100	6/07
Compton Place Apts, Asheville	40	5/06	88	6/07
Hillside Commons, Hendersonville	36	5/06	100	6/07
McCormick Heights, Asheville	12	4/06	33	6/07

Note: At initial occupancy, at least 90% of the units in these developments were rented to families with incomes equal or less than 60 % AMI.

Relocation & Displacement

The City makes every effort not to displace anyone unless absolutely necessary. We follow a *Displacement and Relocation Policy* which sets out a plan for avoiding the displacement of homeowners, residential tenants, businesses, and non-profit organizations as a result of federally funded activities, and for providing assistance in accordance with the Uniform Relocation Act in those cases where displacement is unavoidable. The City also operates an optional relocation policy to assist tenants displaced from substandard property by housing code enforcement actions.

During the reporting year, no permanent relocation was caused by use of CDBG or HOME funds, and the optional relocation policy was not used.

Relocation of two businesses displaced by the South Pack Square Redevelopment Project is still under way; business re-establishment plans have not been finalized.

The rehabilitation of the Vanderbilt Apartments will cause temporary relocation of all the tenants, starting in July 2006. The owner plans to phase construction so that only two floors will be affected at a time, and will make every effort to avoid temporary relocations outside the building.

Recapture Provisions for Homeownership Activities (HOME Program only)

In providing homeownership assistance to eligible families, the Asheville Regional Housing Consortium adheres to the recapture provisions set forth in Part 92.254 of the HOME Final Rule. These provisions ensure that each housing unit will remain

affordable to a reasonable range of low- and moderate-income homebuyers according to the following schedule:

<u>HOME Funds Provided</u>	<u>Period of Affordability</u>
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
More than \$40,000	15 years

The Consortium's HOME funds are placed as a direct homebuyer subsidy, and must be used to reduce the fair market value of the housing unit to a price affordable to the homeowner. HOME funds are not used for a development subsidy, which is the amount by which the development costs exceed the fair market value. All HOME funds are provided in the form of a zero percent, non-amortizing, deferred second mortgage, secured with a Promissory Note and Deed of Trust. When repayment is due (e.g. on subsequent sale) the homeowner is ensured recovery of his/her investment, including subsequent improvements and cost of sale. At the City's discretion, a subsequent low-income buyer may assume the HOME loan.

For example, if a low-income family buys a HOME-assisted unit for \$100,000, but can afford a first mortgage of only \$80,000, up to \$20,000 of HOME funding may be placed as a deferred, zero percent, second mortgage, enabling the family to make monthly payments only on the \$80,000 first mortgage. If, however, during the 10-year period of affordability the family decided to sell the house to a non-income-eligible family, the HOME investment would have to be repaid. If the home was re-sold for \$110,000, the HOME loan would be repaid in full and the homeowner would realize \$10,000 (less costs of sale) in equity appreciation. However, if the home sold for only \$95,000, the HOME repayment would be reduced so that the owner was not in a "negative equity" position.

The City of Asheville has provided all HOME subrecipients and CHDOs with a model Promissory Note and Deed of Trust to ensure compliance with the Recapture provisions and other HOME requirements, as applicable.

Affirmative Marketing

The City of Asheville has established procedures to affirmatively market housing units rehabilitated or newly constructed through the HOME and CDBG programs, to ensure that individuals of similar economic levels in the same housing market area should have available to them a like range of housing choices regardless of their race, color, religion, sex, or national origin.

The City and its partners in the Consortium have adopted procedures to:

1. Inform the public, potential tenants and others about the federal Fair Housing Law and Affirmative Marketing policies;
2. Require owners to inform the general public about available rehabilitated units;

3. Solicit applications from persons in the housing market area who are not likely to apply for units without special outreach;
4. Require owners to keep records on (a) the racial, ethnic and gender characteristics of tenants and applicants and (b) activities they (the owners) undertake to inform the general renter public;
5. Assess the affirmative marketing efforts of property owners by examining owners' records on actions they have taken;
6. Take corrective action if it is concluded that an owner has failed to carry out the required affirmative marketing procedures.

Table 16 shows that of the 155 households assisted with HOME funds during the reporting period, 25% were Black, 74% were White, and 12% were Hispanic (compared with a general population in the area that is 6% Black, 91% White, and 3% Hispanic). The marketing policies carried out by the City, its subrecipients and CHDOs are evidently effective in reaching a diverse group of beneficiaries, whether classified by income, race, national origin, age, or family type.

Minority Business Outreach

As of October 2005, the Minority Business Program is now at the City of Asheville with an updated Minority Business Plan to increase contracting opportunities for minority and women-owned businesses for the City of Asheville. The objectives of this Plan are:

1. To provide minority businesses equal opportunity for participating in City and County construction, contracting and procurement;
2. To increase the City's awareness of available minority business vendors and the available product lines and services they provide through the development of a minority business list;
3. To develop a certification program which assists minority businesses in registering and keeping such firms informed of opportunities in contracting, procurement and purchasing;
4. To sponsor workshops and conferences which will assist minority businesses in becoming actively involved in procurement and contracting opportunities;
5. To provide clear and concise procedures for monitoring Plan compliance and to provide procedures for the resolution of complaints against businesses holding construction, procurement or service contracts with the City or County.

The Minority Affairs Office provides referrals of certified minority firms through the Directory of Certified Businesses, which is published quarterly beginning in January.

During the program year, Mountain Housing Opportunities, Inc. contracted with two women-owned architectural firms to develop plans for 5 housing units that will be

constructed under its Self-Help Homeownership program. MHO also contracted with a minority-owned grading contractor for site preparation work. One of the women-owned architectural firms was registered with the State of North Carolina's Office of Historically Underutilized Businesses and Vendorlink.

Through its owner-occupied rehabilitation program (FAIR Program) the City of Asheville contracted with a minority-owned business for the rehab construction of three owner-occupied homes. This business was not registered with the Office of Historically Underutilized Businesses and Vendorlink.

The primary contractor at Asheville Area Habitat for Humanity's Enka Development subcontracted with two minority and women-owned businesses, one of which was registered with the Office of Historically Underutilized Businesses and Vendorlink.

The construction plans for North Point Commons II, a 30-unit rental housing project developed by MHO, were made available at plan rooms in Asheville, Charlotte and Greenville, SC. They were also made available on-line at the plan room of the primary contractor, Weaver Cooke Construction, LLC. Advertisements for this development were made in minority publications: *Greater Diversity News* and *Carolina Peacemaker*. Weaver Cooke sent subcontract invitations to businesses in the *Asheville-Buncombe Directory of Certified MWBE* and its own MWBE database.

Matching Funds (HOME Program only)

For every \$100 in HOME funds expended on projects, the Consortium is required to provide at least \$25 in matching non-federal funds. The City of Asheville maintains a Match Log to account for all match funds, either cash or non-cash, that are expended on HOME-assisted activities each program year. In some projects, match funds exceed the 25 percent requirement, resulting in surplus match funds, which can be carried forward to reduce the amount of required match in future fiscal years.

In recent years, the Consortium has generated large amounts of surplus match as a result of Habitat for Humanity activities in Asheville and Henderson County. These Habitat chapters finance each house at a zero percent interest rate for twenty to twenty-five years. The HOME regulations allow match to be calculated as the difference between the yield of this "below market interest rate" loan and the yield that would have been realized if a market interest rate had been used. As a result, the Consortium is not currently requiring Member Governments and CHDOs to generate match on their projects. The cash match generated during the reporting period was placed by Buncombe County general funds.

The Consortium's detailed match log for the reporting year can be found in Section XI.

Section V: Citizen Comments

The draft plan was published on the City's website on September 13th, 2006, and a notice was placed in the Asheville Citizen's times the same day inviting questions and comments within the next 15 days. No comments were received

Section VI: Certification that the City is pursuing its HCD Plan

i. By Pursuing Resources

The City has pursued all federal state and local resources identified in its annual Action Plans. Section III of this plan shows how CDBG and HOME funds have been used successfully to leverage other resources.

ii. By Supporting Grant Applications by Other Agencies

The City has actively supported other public and private non-profit agencies in developing new programs and applying for funding from HUD and other sources. No agency seeking a Certificate of Consistency with the City's Consolidated Plan was refused.

iii. By Acting to Implement the Consolidated Plan

Section IV demonstrates the progress that the City and its partners have made in implementing the Consolidated Plan. The City has committed and expended CDBG and HOME funds in a timely manner. It has never hindered this process by action or deliberate inaction.

Section VII: Self Evaluation

Impact of programs

This is the first annual performance report under the Consolidated Housing & Community Development Plan for 2005-2010. Solid progress has been made in all areas.

Our primary focus is affordable housing. During the reporting year, we completed **204 units of affordable housing** that were assisted with CDBG or HOME funds throughout the Consortium area, compared with our target of 200. Each of these units represents a household with significantly improved housing, whether through buying their first home, moving into a decent affordable rental unit, or having essential repairs done to a substandard home.

The largest single housing development completed during the reporting year was the 28-unit Highland View Apartments in Henderson County. Another 138 multifamily units will be completed in FY 2007. Our non-profit partners also completed a total of 46 units of single family housing for homeownership - making this the fourth year in succession of in which S/F housing production has exceeded 40 units.

These figures do not include affordable units that were produced by our non-profit partners using other funding sources, nor does it count affordable homes constructed by for-profit developers who took advantage of the Housing Trust Fund and Fee Rebate programs operated by the City of Asheville and by Buncombe County. We have tracked production of **an additional 255 affordable units** in these categories.

The City of Asheville continues to contribute substantial amounts in low-interest loans for affordable housing development through its Housing Trust Fund. During the reporting year we committed \$950,000 in loans, representing the largest amount committed to the greatest number of units in the program's six year history.

Table 11 - Housing Trust Fund Loans Awarded in FY 2006

Developer & Location	No. of Units	Type	Loan Amount
National Church Residences Vanderbilt Apartments	123	Rental	\$ 150,000
Mountain Housing Opportunities Crowell Park Apartments	73	Rental	500,000
Shelter Development Springside Road	84	Rental	300,000
Totals	280		\$950,000

Economic development results have diminished somewhat. CDBG funds are no longer supporting any job training programs, and Mountain Microenterprise Fund is reporting smaller numbers than in the past. However we are confident that the new Loan Fund is having a real and important impact in creating and expanding viable small businesses.

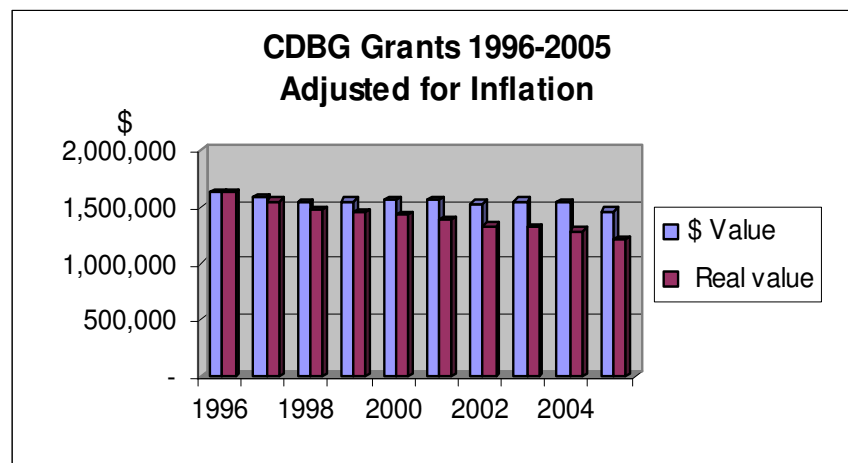
Plans for the redevelopment of the deteriorated South Pack Square commercial area remain on hold as we await fresh development proposals from the Eagle/Market Streets Development Corporation. Their previous plans were derailed by a lawsuit, which, though without legal merit, caused a extremely damaging delay and loss of financial backing.

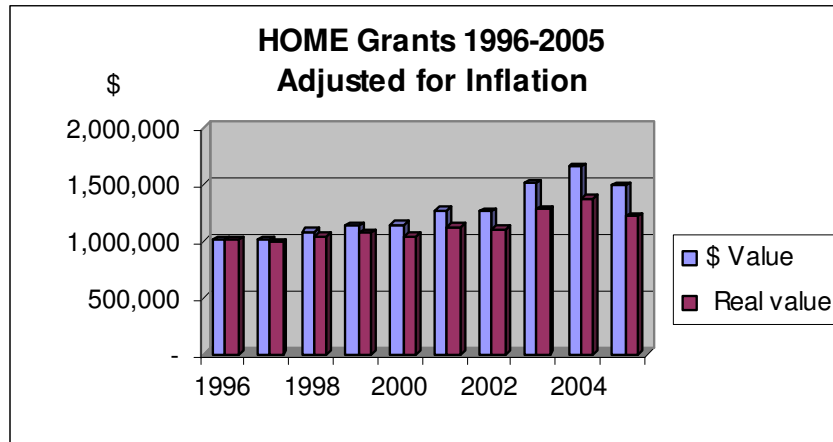
We continue to reach a large number of people through **other CDBG-funded programs**. The goals have been extended to include targets for infrastructure and transportation enhancement, and we have also revised the ways in which we measure and report the positive outcomes produced by each program.

We have seen a significant reduction in homelessness, which we can now see was taking place while our 10-Year Plan to End Homelessness was still in preparation. Part of this is probably due to an improved economic climate, and, unfortunately, can be expected to reverse when the economy next moves into recession. However, agencies have reported placing much greater numbers of homeless people into permanent housing, and this may be a result of the "Housing First" concept taking hold in the service community, as well as increased coordination efforts.

Barriers Having a Negative Impact

1. A major barrier to further achievements remains the level of funding. The charts below show the steady erosion in the value of our CDBG entitlement grant. The HOME grant, in contrast, increased in value through 2004, but fell in 2005. The combined real value of the grants, adjusted for inflation, is less than it was 10 years ago.





2. House prices have continued to increase much faster than incomes. The annual rate of increase in the price of existing homes has reached 10% a year and Asheville remains the most expensive housing market among metropolitan areas in North Carolina. Land and construction costs have also sharply increased. This requires ever larger subsidies to make new or existing homes affordable to families with incomes below 80% of the area median. An analysis of homeownership cases handled by NHS in calendar year 2005 shows an average of \$25,879 in downpayment and second mortgage assistance per buyer. In most cases NHS had to use a combination of 2 - 4 different funding sources to make the homes affordable.

3. Rents have not increased nearly as much as prices. However, HUD's fair market rents for the area are lagging behind average rents by as much as \$100 a month for a two bedroom apartment. Popular one-bedroom apartments are in short supply. The result is that about half the people who finally reach the top of the waiting list for vouchers are unable to find a suitable apartment within the search time allotted and turn their vouchers in unused. It is also increasingly difficult to build HOME-assisted rental housing because the fair market rent for two-bedroom apartments (\$461 excluding utilities) is too low to provide adequate cash flow.

4. Progress in further reducing homelessness has been threatened by lack of federal funding and by problems in the state mental health and substance abuse service system which is making it extremely difficult to create the flexible community-based support services that are needed to stabilize chronically homeless people in permanent housing.

Status of Grant Programs

Table 1 in Section II (Overview) shows that the City has had no difficulty in meeting HUD spending targets. The unexpended balances at the close of the fiscal year represented 108% of the CDBG entitlement grant level and only 76% of the HOME grant. The rate of CDBG spending was slowed by a large balance of unspent

rehabilitation funds (reallocated in FY 2007), a slow-moving NHS development on Bradley Street (now under construction) and unusually large receipts of program income from loan payoffs.

Changes in Consolidated Plan Strategies

1. **Hurricane Katrina** impacted our area with an influx of over 500 families from the Gulf Coast within a few days of the August 29, 2005 disaster. The City, the Affordable Housing Coalition, and Asheville Buncombe Community Christian Ministry partnered in an interim housing program funded by FEMA through the state of North Carolina. Because of delays by FEMA in finalizing and communicating the terms of this program, assistance did not start until November, but we were able to help 23 families with several months of rent and related needs.

2. A new opportunity for neighborhood revitalization activities opened up during the year with the designation and funding of a **Weed and Seed** program area, called West Riverside, in West Asheville. This Department of Justice program combines “weeding” out crime with “seeding” opportunities for economic and social improvement. We expect to revise the Consolidated Strategic Plan in the coming year to recognize this as a target area for CDBG and HOME assistance, and possibly to designate it as a **Neighborhood Revitalization Strategy Area** to take advantage of the additional flexibility in using CDBG funds in such areas.

3. A difficult decision was reached during the year to terminate the City’s long-standing **substantial rehabilitation program** for owner occupiers and investors. Rehabilitation costs per unit have risen while CDBG funding has declined. Continuing the rehab program on the scale necessary to justify retaining in-house staff to run it would have taken about a third of the total CDBG budget. Over the 30 years or more that this program has been in operation the physical condition of housing in Asheville has enormously improved. While there are pockets of need, particularly among elderly homeowners who cannot maintain their homes, there are no longer blighted areas where rehabilitation is needed as a catalyst to revitalize whole neighborhoods.

To address the needs of very low-income homeowners, an additional grant has been made to Mountain Housing Opportunities to operate a “Tier II” Emergency Repair Program that can address multiple repairs costing up to \$15,000 in one house. Investor rehabilitation of rental housing will be addressed through the City’s Housing Trust Fund.

4. We are re-examining the role of **manufactured housing** in our area. As construction costs rise, expanding affordable housing production through good quality manufactured housing may offer significant cost savings over site-built and modular housing. There is also growing concern over the future of large numbers of mobile home units in parks which are threatened by redevelopment. Resident buy-out programs pioneered in New Hampshire and other states may offer one way of preserving and improving this significant part of our affordable housing stock.

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